

STATE OF MICHIGAN



JAMES J. BLANCHARD, Governor

DEPARTMENT OF TREASURY

ROBERT A. BOWMAN, State Treasurer

STATE TAX COMMISSION

4th Floor Treasury Building

Lansing, Michigan 48922 Telephone 517 373-0500

COMMISSION MEMBERS

W. EUGENE ATKINSON

WARD G. DEXEL

ROBERT O. VANDERMARK

Bulletin No. 8
March 10, 1983

TO: County Clerks, Treasurers, Equalization Directors, and
Chairpersons of Boards of Commissioners;
Township Clerks, Treasurers, Supervisors, and Assessors;
City Clerks, Treasurers, and Assessors;
Village Clerks;
School District Boards of Education;
Intermediate School District Boards of Education;
Community College Boards of Trustees;
Authority Governing Bodies

FROM: State Tax Commission

This bulletin is being distributed through the clerks of the counties, townships and cities for their further distribution to the named officials in those governmental units. The cooperation of the clerks is appreciated.

The subjects addressed by this bulletin are these:

1. Board of Review
2. Summer School Tax Collection
3. Timeliness of County Equalization
4. Assessment Rolls Provided to County
5. Preliminary State Equalization Meeting
6. Orientation to Millage Rollbacks and Summer School Tax Collections
7. Improperly Reported Property Statements and Omitted Property
8. Assessor's Manual Chapter on Property Tax Exemptions
9. Millage Reduction Calculations

1. Boards of Review

1982 Public Act 539 does not take effect until March 30, 1983. However, Act 539 provides that the board of review notify in writing each person who makes a request, protest, or application for correction of the boards action. Act 539 also stresses that a person who appeared on or before the Tuesday following the second Monday in March and was unable to be heard shall be afforded an opportunity to be heard. As a practical matter most boards of review comply with these requirements even though not mandatory until March 30, 1983. Voluntary compliance is suggested.

The board of review does not have authority to make blanket adjustments to assessed valuations or to reject an assessment roll. Each action by the board of review shall be recorded or referenced in the minutes and decided by majority vote of the members present.

2. Summer School Tax Collection (1982 P.A. 333)

It is anticipated that there will be school districts which will certify half or all of their tax levy for collection in the summer in 1983 for the first time. Furthermore there may be a summer school tax collection by treasurers other than the township or city treasurers, as provided by 1982 P.A. 333. A school district which levies a tax in the summer shall be responsible for complying with the following requirements:

1. Maximum authorized millage is the sum of allocated millage or separate millage limitation plus millage authorized by the voters.
2. Millage limitations prescribed by section 211.34d, M.C.L. shall be calculated and applied to maximum authorized millages. Form L-4029 shall be completed and filed with the county board of commissioners.
3. Truth in Taxation hearings and determinations shall comply with section 211.24e, M.C.L., before a tax in excess of the base tax rate may be levied. (There is no prohibition against holding the Truth in Taxation hearing prior to and in anticipation of an approval of millage by voters.)
4. Each school district or intermediate school district shall advise the state tax commission of its intention to levy a tax in the summer of 1983. The commission also shall be advised of the names of townships and cities in which the summer school tax will be collected and which treasurers will actually collect the summer tax.
5. Specific taxes levied as part of the summer school tax levy on properties exempted from the general property tax by certificates issued for 1974 P.A. 198 industrial facilities and 1978 P.A. 255 commercial facilities shall be held in escrow by the collecting treasurer until it is determined whether the tax is to be paid to the state treasury to the credit of the state school aid fund.
6. If the summer school taxes are to be collected by a school district treasurer or by a county treasurer the costs to be incurred by the district or fees and charges and/or other costs to be received by the county treasurer are to be stated in writing and reported to the state tax commission.

3. Timeliness of County Equalization

Section 211.34, M.C.L., as amended by 1981 P.A. 213, requires the county board of commissioners to complete the equalization of the townships and cities in each county and submit the prescribed report on form L-4024 to the state tax commission before the first Monday in May (May 2, 1983).

4. Assessment Rolls Provided to County

Section 211.34, M.C.L., requires the county board of commissioners to examine the assessment rolls of the townships or cities and ascertain whether the real and personal property in the respective townships or cities has been equally and uniformly assessed at true cash value.

Section 211.30 M.C.L. has been amended by 1982 P.A. 539 to require that, "The completed assessment roll shall be delivered by the township supervisor or by the assessor to the county equalization director not later than the tenth day after the adjournment of the board of review or the Wednesday following the first Monday in April, whichever date occurs first."

It is essential that the assessment rolls be made available to the county equalization directors when the board of review has completed its review so that audits may be performed expediently.

5. Preliminary State Equalization Meeting

In accordance with Section 209.2 of the Michigan Compiled Laws, the state tax commission will meet in the City of Lansing on May 9, 1983 to present recommended state equalized valuations for each county of the state.

The meeting will be held in the Law Building Auditorium at 10:00 a.m., on Monday, May 9, 1983, and representatives of the counties are welcome to receive the preliminary report of the state tax commission and to discuss the proposed valuations of each classification separately equalized with the members of the tax commission and staff.

The Law Building is located at Ottawa and Pine Streets, two blocks west of the Capitol.

6. Orientation to Millage Rollbacks and Summer School Tax Collections

In the afternoon, beginning at 2:00 p.m., the commission will conduct a session devoted to outlining the procedures for implementing 1981 P.A. 213, Truth in Assessing, 1982 P.A. 5, Truth Taxation, and the regular millage reduction required for Headlee. The discussion will revolve around the responsibilities of assessing officers and equalization departments. Summer collection of school taxes will also be discussed.

7. Improperly Reported Property Statements and Omitted Property

Sections 22 and 154 of the general property tax act, being sections 211.22 and 211.154 of the Michigan Compiled Laws, have been amended by 1982 Public Act 539. Forms for filing petitions with the state tax commission for the revision of an assessed valuation because of an improperly reported property statement or omitted property are being developed. An announcement will be made on about July 1 to advise assessing officers regarding procedures and jurisdiction for petitions under the new provisions of section 154.

8. Assessor's Manual Chapter of Property Tax Exemptions

On the final page of this bulletin there is an order form for obtaining a new supplement to Chapter 18 of the Michigan Assessor's Manual. It is titled, Property Tax Exemption Statutes, Real and Personal Property, An Index, by the State Tax Commission, Michigan Department of Treasury and consists of 41 pages of 8½" x 11" matter. This supplement should not be confused with the General Property Tax Laws.

To obtain a complete copy of the general property tax act, being sections 211.1 to 211.157 of the Michigan Compiled Laws, send \$5.00 per set to the Local Property Services Division, Treasury Building, Lansing, Michigan 48922. Make the check payable to the State of Michigan. Refer to account #110-92-206 - General Property Tax Law. The 1983 General Property Tax Law Revisions, including 1982 Public Acts are available at a cost of \$2.00 each at the same address.

9. Millage Reduction Calculations

Attached is a 1983 form L-4029 with instructions. Also attached is an explanation of compounded millage reduction fractions (MRF's). 1982 Public Act 539 has changed the formula for the 1983 millage reduction fraction. The changed formula does not affect any previously calculated millage reduction fractions.

There may be a number of counties, villages, townships, or cities which will be impacted by the additional rollback requirement of Section 34 of the General Property Tax Act. A copy of that provision and an explanation of its impact has also been attached.

The inflation rate for determining the 1982 millage reduction fraction for any local government unit is 1.061.

1983 MILLAGE REDUCTION FORMULA. (SEC 211.34D, MICHIGAN COMPILED LAWS)

$$1983 \text{ MRF} = \frac{(\text{TOTAL } 1982 \text{ S.E.V.} - \text{LOSSES S.E.V.}) \times 1.061}{\text{TOTAL } 1983 \text{ S.E.V.} - \text{ADDITIONS S.E.V.}}$$

The compounded MRF used for 1983 to determine the allowable tax levy rate is to be determined by the financial officer of each taxing jurisdiction. The compounded MRF used in 1983 will be equal to the 1983 MRF; or to the product of the 1982 compounded MRF multiplied by the 1983 MRF; or it may be equal to 1.0000 depending on the source of the tax rate and the date of the election which authorized the rates. The compounded MRF used in 1983 shall be calculated as the product of the 1982 compounded MRF multiplied by the 1983 MRF.

1982 P.A. 5 - BASE TAX RATE FRACTION (BTRF). (SEC 211.24E, TRUTH IN TAXATION)

$$1983 \text{ BTRF} = \frac{1982 \text{ TOTAL S.E.V.} - \text{LOSSES S.E.V.}}{1983 \text{ TOTAL S.E.V.} - \text{ADDITIONS S.E.V.}}$$

The base tax rate fraction is calculated each year and does not compound. The same quantities are used for calculating the BTRF as were required for the MRF for the 1982 S.E.V., 1983 S.E.V., LOSSES S.E.V., and ADDITIONS S.E.V. for each separate unit of local government.

The base tax rate is calculated by multiplying the base tax rate fraction by the operating tax rate levied in the immediately preceding year.

MILLAGE ROLLBACKS RELATED TO STATE EQUALIZATION
(SEC 34, TRUTH IN ASSESSING AND TRUTH IN COUNTY EQUALIZATION ROLLBACKS)

Section 34 of the General Property Tax Act, being section 211.34 of the Michigan Compiled Laws provides that: " . . . Each year the county board of commissioners shall advise the local taxing units when the state tax commission increases the equalized value of the county as established by the board of county commissioners and each taxing unit other than a city, township, school district, intermediate school district, or community college district, shall immediately reduce its maximum authorized millage rate, as determined after any reduction caused by section 34d, so that subsequent to the increase ordered by the state tax commission pursuant to Act No. 44 of the Public Acts of 1911, as amended, being section 209.1 to 209.8 of the Michigan Compiled Laws, total property taxes levied for that unit shall not exceed that which would have been levied for that unit at its maximum authorized millage rate, as determined after any reduction caused by section 34d, if there had not been an increase in valuation by the state. If its state equalized valuation exceeds its assessed valuation by 5.0% or more in 1982 or by any amount in 1983 or any year thereafter, a city or township shall reduce its maximum authorized millage rate, as determined after any reduction caused by section 34d, so that total property taxes levied for that unit do not exceed that which would have been levied based on its assessed valuation."

This required reduction applies only to maximum authorized millage and reduces the "authorized rate" after the application of the compound millage reduction fractions required by section 211.34d, M.C.L.

In 1983, the increase by the State Tax Commission to the valuation of any separately equalized classification will require a reduction of the total authorized rate pursuant to M.C.L., 211.34, if applicable. The final allowable levy rate will be multiplied in the 1983 tax roll by the state equalized valuation of each item of property in each classification after applying any Truth in Taxation limitations. (M.C.L. 211.24e)

For the county, village and authority rollbacks, the rollback fraction is calculated by dividing the TOTAL COUNTY EQUALIZED VALUATION FOR ALL CLASSES by the TOTAL STATE EQUALIZED VALUATION FOR ALL CLASSES. (Truth in County Equalization does not affect the assessment units, the townships and cities.)

Villages and authorities will require factoring of the assessed valuations to obtain county equalized valuations and state equalized valuations needed to calculate the section 34 rollback fraction, equal to TOTAL C.E.V./TOTAL S.E.V. for each village or authority affected.

The township or city truth in assessing rollback fraction shall be calculated separately for each township or city. The fraction numerator is the total assessed valuation as approved by the board of review; the denominator is the total state equalized valuation for all classes combined. The township or city rollback fraction is calculated by dividing the TOTAL ASSESSED VALUATION FOR ALL CLASSES by the TOTAL STATE EQUALIZED VALUATION FOR ALL CLASSES. The section 34 truth in assessing rollback applies in 1983 to any township or city if the total S.E.V. exceeds the total assessed valuation by any amount. (In 1982 only, there was a 5.0% difference allowed without rollback.)

The following described tax rates have been legally authorized for levy on the 1983 tax roll.

FORM L-4029, MILLAGE REQUEST REPORT TO COUNTY BOARD OF COMMISSIONERS,
IN ACCORDANCE WITH SECTIONS 211.34, 211.34d, 211.36 AND 211.37, MICHIGAN COMPILED LAWS,
AS AMENDED BY 1981 P.A. 213 AND 1982 P.A. 539
(Truth in county equalization, truth in assessing, Headlee, and apportionment)

Instructions: (Items refer to numbered columns on Form L-4029.)

- (1) Source
What was the source of each millage, such as 15 mill allocation, separate millage limitations voted, charter, approved extra-voted millage, etc.?
- (2) Purpose of Millage
Operating, building and site, debt service, special assessment, etc.
- (3) Date of Election
For each millage authorized by direct voter approval, indicate the month and year of the election.
- (4) Maximum Millage Authorized
List allocated rate, charter aggregate rate, extra-voted authorized prior to 1979, each separate rate authorized by voters after 1978, debt service rate, etc. (This rate is the rate before reduction caused by Sec. 211.34, M.C.L., if state equalized valuation exceeds county equalized valuation or assessed valuation.)
- (5) 1982 Compound Millage Reduction Fraction
List the applicable Millage Reduction Fraction from column (6) of the 1982 form L-4029 for each separate millage listed. Note: These 1982 compound millage reduction fractions might not be the same for all millages to be levied by a taxing district. Also, voters could have increased one or more of these fractions to a maximum of 1.0000.
- (6) Current Year Millage Reduction Fraction
List millage reduction fraction certified by the county treasurer for the current year.
- (7) Applicable Millage Reduction Fraction
For millage not subject to reduction, enter 1.0000. For millage subject to the reduction fraction from a single year, enter the lower of 1.0000 or the current year millage reduction fraction. For millage subject to the reduction fraction for more than one year, enter the compounded reduction fraction for the period since authorization was voted. (See examples on reverse side.)
- (8) Sec. 211.34 Millage Reduction Fraction
List the millage reduction fraction for 1983 for each millage which is an operating rate. Use 1.0000 for school districts and for special assessments and bonded debt retirement levies. For counties, villages, and authorities, calculate as TOTAL C.E.V./TOTAL S.E.V. For townships and cities, calculate as TOTAL ASSESSED VALUATION/TOTAL STATE EQUALIZED VALUATION. This fraction shall not exceed 1.0000.
- (9) Maximum Allowable Millage Levy
Multiply Column (4), Maximum Millage Authorized, by Column (7), Applicable Millage Reduction Fraction and also by Column (8), Sec. 34 Millage Reduction Fraction. Round the rate to the nearest 0.0001 mill.
- (10) Millage Request to be Levied
Enter the tax rate approved by the unit of local government provided that the rate requested shall not exceed the Maximum Allowable Millage Levy in Column (9).

-continued-

NOTE: The tax rate for operating purposes is also subject to the Truth in Taxation limitation provided by section 211.24e, M.C.L. The Truth in Taxation operating rate shall not exceed the total of operating rates allowable in column (9).

Examples for Column (7):

- (a) For millage approved by the voters after May 31 use 1.0000 for the first year levied.
- (b) For debt service or special assessments not subject to a millage reduction fraction, enter 1.0000.
- (c) For millage authorized by county tax allocation board enter the compounded millage reduction fraction commencing with the 1979 reduction fraction, unless there has been voter approval of an increase in the fraction restoring it to 1.0000, etc.
- (d) For separate millage limitation voted after 1978, enter the compounded millage reduction fraction commencing with the date of voter approval. (See (a) above.) Separate millage approved prior to 1979 is to be reduced in the same manner as millage allocated by tax allocation board. Revoting of separate millage limitations constitutes approval by the voters as of the date of the most recent election approval.
- (e) There is not necessarily a single millage reduction fraction for all millages authorized for a single taxing jurisdiction. For example, in 1983, a school district might have a separate limitation of 9.0 mills subject to the compounded reduction fraction from 1979 x 1980 x 1981 x 1982 x 1983. In 1980 it might have voted 10 extra mills reduced by 1981 x 1982 x 1983. It also might have voted 10 extra mills on June 13, 1983, which would have a fraction of x 1.0000.
- (f) The applicable reduction fraction for any millage cannot exceed 1.0000. By statute, the 1979 reduction fraction is limited to 1.0000. Thereafter, the compounded millage reduction fraction cannot exceed 1.0000. The compounded millage reduction fraction for a year is equal to the compounded reduction fraction for the prior year multiplied by the current year reduction fraction.

After a unit of local government has been subjected to a millage reduction fraction of less than 1.0000, such as .9000, the compounded millage reduction fraction might increase as the result of a subsequent current year reduction fraction larger than one, such as 1.2000.

In this hypothetical instance, the compounded fraction of .9000 x the current year fraction of 1.2000 = 1.0800. The compounded 1.0800 would become 1.0000 because that is the maximum limit for the compounded fraction. If in the following year, the current year reduction fraction was .9500, the compounded millage reduction fraction would be 1.0000 x .9500 = .9500, and not 1.0260 (1.0800 x .9500).

CERTIFICATE OF COMPLIANCE WITH SECTION 31 OF ARTICLE 9
OF THE STATE CONSTITUTION OF 1963

The filing of this certificate is mandatory as prescribed by section 211.34d, M.C.L. The penalty for failure to complete and file this certificate is prescribed by section 211.119, M.C.L.

State of Michigan)
County of _____) S.S.

As the duly authorized representative of the _____

unit of local government, we hereby certify that the attached requested tax levy rates have been reduced, if necessary, in compliance with Section 31 of Article 9 of the State Constitution of 1963 as required by Section 211.34d of the Michigan Compiled Laws, and that the requested tax levy rates have also been reduced, if necessary, in compliance with Sections 211.34 and 211.24e of the Michigan Compiled Laws.

(Clerk or Secretary)

(Chairperson, President or Supervisor)

Dated this _____ day of _____, 19 _____.

CERTIFICATE OF STATE EQUALIZED VALUATIONS, NEW CONSTRUCTION AND
IMPROVEMENTS, AND THE MILLAGE REDUCTION FRACTION

The filing of this certificate is mandatory as prescribed by section 211.34d, M.C.L. The penalty for failing to complete and file this certificate is prescribed by section 211.119, M.C.L.

State of Michigan)
County of _____) S.S.

I, _____, the treasurer of
_____ County, do hereby certify that
the attached list provides the prior year's state equalized valuation, the
current year's state equalized valuation, the amount of new construction and
improvements for the current year, and the resulting millage reduction fraction
for the current year for each unit of local government which levies a property
tax in the County in accordance with Section 211.34d of the Michigan Compiled
Laws.

(County Treasurer)

Dated this _____ day of _____, 19 ____.

**PROPERTY TAX
EXEMPTION STATUTES**

REAL AND PERSONAL PROPERTY

An Index



**State Tax Commission
Michigan Department of Treasury**

December 1982

ORDER FORM

Chapter 18, Assessors Manual
Manual Supplement - Property Tax Exemption Statutes - 41 pages

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2nd Floor, Treasury Building
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